

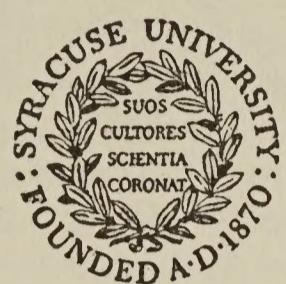
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SYRACUSE UNIVERSITY

Maxwell Graduate School of Citizenship
and Public Affairs



*American Business
and
Overseas Employment*

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EDUCATION AND TRAINING FOR PUBLIC SERVICE OVERSEAS

is a national research project undertaken by the Maxwell School of Citizenship and Public Affairs at Syracuse University.

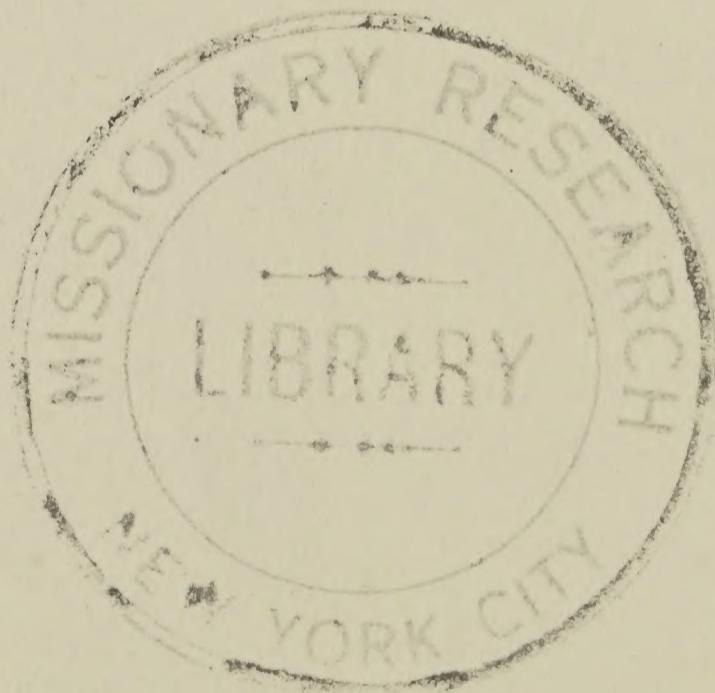
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Publications

1. "Education and Training for Public Service Overseas,"
23 October 1956 (out of print)
2. "One Hundred Thousand Americans At Work Abroad: A Challenge to American Education," 15 January 1957 (out of print)
3. "Americans at Work Abroad"—papers prepared for a conference at The Maxwell School, 6-8 March 1957
4. "American Business and Overseas Employment," 15 June 1957



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THE most common fallacy of Americans who think about overseas service is to identify it wholly with the Department of State or "diplomats." Actually the Foreign Service of the United States accounts for less than six per cent of the 104,000 American civilians who are working in foreign countries this year. About 65,000 United States citizens who live overseas are either scholars under contracts and grants or individuals employed by private enterprises.

AMONG the early objectives of the research at the Maxwell School on the education and training for overseas service was a count of the United States citizens employed by American business firms in foreign countries. Estimates of the size of this group ranged from seven to seventy thousand along with the guess that the oil companies employed as high as ninety per cent of the total. With no authentic figures from any source, the Maxwell School sent out questionnaires to 1,954 firms represented in several directories as doing business overseas. To those firms which failed to answer the first questionnaire, a second follow-up letter was mailed, but often the reason given for lack of response was that although the firm did business overseas it employed no Americans and relied upon foreign agents.

IN the final tabulation of the survey 646 companies reported 24,659 United States citizens and 1,280,000 foreign nationals at work for their firms in overseas establishments. These figures probably represent 95 per cent of the total—with some uncertainty about Canada since a dozen American firms consider their operations north of the border as "domestic" and do not distinguish U.S. citizens from Canadians.

AS was expected, the oil companies employ the largest number of the 25,000 U.S. citizens working for American business overseas, but the proportion, 44%, is smaller than is generally believed. Companies concerned primarily with manufacturing, sales and services employ 26% of the total, followed by engineering and construction firms with 21%, then companies engaged in raw material procurement which employ 9% of the group.

A very small number of Americans—about 2% of all U.S. personnel employed by business firms—work in central and southern Africa. Forty-three per cent are to be found in Latin America, 21% in the Middle East and North Africa, 13% in the Far East, 12% in Europe, and 9% in Canada.

THESE figures alone, however, do not accurately portray the relative overseas commitments of American business either by geographic division or types of companies. While the number of American citizens employed in Europe, for example, is comparatively small, the United States firms located there account for one-third of all the foreign nationals employed by American business abroad. Furthermore, although the manufacturing, sales, and service companies employ less than a third of the total U.S. citizens at work

abroad, well over one-half of all foreign personnel work for such firms.

IN the overseas operations of all 646 companies, there is approximately one U.S. citizen to 52 foreign nationals (1:52), but this ratio varies considerably according to geographic area, type of industry, length of time a company has operated in a region, and to a lesser extent, according to individual company policy. National laws placing a ceiling on the ratio of Americans to local personnel employed by a given company apparently do not play a decisive role, since in most companies the percentage of Americans is well below that which is allowed.

Geographic Location

THE proportion of United States citizens to total employment by American firms overseas is highest in the under-developed countries and lowest in highly industrialized areas. The ratio of Americans to foreign personnel ranges from 1:143 in Europe to 1:13 in the Middle East and North Africa. Broadly grouping Europe and Canada as developed regions, considering Latin America as semi-developed, and classifying the Far and Middle East and Africa as relatively under-developed, the ratios of American to foreign personnel are:

Under-developed regions	1:29
Semi-developed regions	1:47
Developed regions	1:107.

Thus, American firms operating in semi-developed countries require about twice as many U.S. citizens in the field as firms operating in Europe or Canada. In under-developed areas, four times as many U.S. citizens are needed. This generalization holds true for all types of companies except engineering and construction firms where there is little variation in ratio from one region to another.

Type of Company

FROM the 1:52 average ratio of U.S. citizens to foreign personnel for all firms, there is a considerable variation among the four types of companies into which the sample is divided. The greatest reliance upon foreign personnel is in the manufacturing, sales, and service companies with a ratio of 1:112. Raw material procurement firms follow closely with 1:97. In oil companies the ratio is 1:22 and in engineering and construction firms 1:16. Parenthetically, the ratio among the engineering and construction firms is fairly constant from one geographic area to another, except for a slightly greater utilization of foreign personnel in the Far East (1:31). The short-term nature of most of the overseas operations of construction firms accounts for this. Moreover, the efficiency of the heavy American machinery combined with American operators generally outweigh the advantages of cheap local labor—except in the Far East where transportation and maintenance costs are very high and local wages very low.

Length of Time in Operation

THE longer a company operates in any country the greater is its reliance upon foreign personnel for technical and managerial positions. The replacement of Americans with foreign personnel, which has gained momentum since World War II, has been most evident in the more developed countries, although the trend is universal. Company training programs have been planned to enable the more promising local employees to become skilled in plant operations and to identify themselves with company policy.

FOREIGN operations directors of the firms surveyed by the Maxwell School report a variety of causes behind this trend, the three most prominent being: 1) the lower cost of supporting local personnel in their own country compared to U.S. citizens abroad, 2) the maladjustment of many Americans working in alien cultures, reflected by irritability, alcoholism, loose morals, or strained family relations, and 3) the utilization of local personnel markedly improves the company's relations with the community and the government.

CONFIRMATION of these remarks from company managers can be seen by comparing personnel figures in an industry which has recently been established in one area with the figures of the same industry that has been operating for sometime in another area. This phenomenon of utilizing a higher percentage of Americans at the outset of operations than after some years of productive experience also holds true for individual companies.

Individual Company Policy

THE exceptionally small ratio of Americans to foreign personnel in some firms, however, cannot be entirely explained by the above generalizations. One corporation has 17 manufacturing plants abroad with no Americans permanently in the field. Another has only four Americans for 18,000 foreign nationals. The ratio of U.S. citizens to foreign personnel in similar companies within the same area may even vary widely. Some companies report that they recognize that their policy of almost exclusive use of foreign personnel is unusual, but they justify it by their own past experiences with the employment of Americans overseas.

AT the beginning of a foreign business operation, American firms are primarily concerned about a standard quality of production and conformity with company policy. These objectives are best assured initially by American technicians and administrators in the field. Given the cost, the adjustment problems, and the community relations factor, many firms have sought to bring their overseas American personnel home as soon as possible. At any stage of operations—after one year or ten years—companies are faced with the imperative problem of procuring personnel competent to fill administrative, sales, and technical assignments in their foreign branches.

SOME firms have instituted large scale programs for foreign nationals who are brought to the United States for special training and managerial conferences. A few companies have short-run orientation programs for their American personnel en route to a foreign operation. There is a prevailing conclusion that it is better to train foreign personnel than attempt to overcome all the difficulties—and expenses—of maintaining a corps of U.S. citizens overseas. But it is generally agreed that it would be helpful to find Americans who, by motivation and temperament, could be readily trained to work effectively in foreign environments.

THE experience of American firms shows that the problem of employees either "going native" or else adhering to the "American way of doing things" is quite important. Some typical comments elicited by the Maxwell survey were, "It is only at the outset of a new operation that we find it necessary to send Americans abroad," and "We have generally replaced Americans with foreign nationals when retirements have come up." Other company executives bluntly remarked, "We have found U.S. citizens only good for a short time. After that they become a liability." and, "I hire Americans only when I can't find locals to do the job." The reliance upon American-trained foreign personnel seems to be the long-run solution for most companies, but this policy cannot answer the needs of those firms anticipating starting or expanding operations abroad, especially in the under-developed areas of the world.

Community Relations

BETWEEN three and four per cent of all Americans working for United States firms abroad are engaged exclusively or primarily in community relations: i.e., public relations between the company and the host government and community to create atmospheres of friendly cooperation between the firm, the government, and the local population. Many firms report additional personnel who are partly employed in promoting community relations.

THE preponderent majority of officials engaged in community relations work are employed by large firms. Seventy-two companies are responsible for the entire 944 American officials employed in this category. Nearly all firms, however, state that their top administrators devote part of their time to company-community relations.

SIXTY-THREE firms divided their reports of personnel at work abroad into three categories: Administrative-sales, technical, and community relations employees. More than twice as many employees were engaged in community relations in the under-developed regions than in the economically developed parts of the world. In Europe and Canada moreover, American technical personnel accounted for only a third of the U.S. citizens abroad compared to 55% in the semi-developed and under-developed regions classified by this survey. These figures reflect the main types of U.S. personnel

employed by American firms in foreign countries, indicating the great demand for technical personnel in under-developed regions and the concomitant need for intensive community relations work in these areas.

MANY economists have predicted that there will be increasingly large commitments by American business to the under-developed nations in the next decade. Eugene Black, President of the World Bank, stated at a conference on "Americans at Work Abroad" which was held at the Maxwell School last March that if the standards of living in under-developed areas could be raised to one-fourth of Canada's, exports of the United States to under-developed areas would increase ten fold. Currently some 9,000 Americans, well over one-third of the total working for U.S. business overseas, are employed in the Far East, the Middle East, and Africa. If the prognostication of U.S. business expansion in these areas is correct, a major concern of many firms in the near future will be the recruitment and training of personnel for overseas work in cultures even more alien to Americans than Europe and Latin America.

FRED Smith, Vice President of the Prudential Insurance Company, remarked at the Maxwell conference that, "progress in annealing an enterprise and its human environment" is a long-time job. In this respect, oversease enterprises have a doubly difficult task. Technical skills and administrative expertise do not seem to be enough for the survival of American business overseas. This is a century of national self-consciousness carried along by unlimited hope for economic and social improvement. No business enterprise abroad can be an island unto itself, for its activities—whether by purpose or accident—are linked to the larger interests of the United States in promoting economic growth, fostering stable, representative governments, and maintaining international peace. To live and work abroad effectively today calls for overseasmanship: namely, the unusual ability to communicate and comprehend within a foreign culture plus an imaginative grasp of the larger purposes of an American overseas operation.

COMMUNITY relations personnel can only do a part of the job of annealing overseas business enterprises to the human environment. The technicians and the administrative-sales staff will continue to have their adjustment problems, their need for identification in a foreign environment, their want of purpose and satisfaction. Preliminary investigations of the Maxwell School on overseas employment seem to indicate an earnest search by America business for the best orientation or training programs for United States personnel going abroad. There is divided opinion on how much time a firm can afford for the preparation of its overseas staff, but all consultants agree that *some* training would be valuable. The main line of investigation, however, seems to lie in the direction of defining and teaching overseamanship. And in this direction the Maxwell School is continuing its research.

American Business and Overseas Employment

Type of Firm and number in group	544 Manufacturing Sales and Service				30 Oil				49 Engineering and Construction				23 Raw Material Procurement		TOTALS 646 Companies	
	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals	U.S. Citizens	Foreign Nationals
Geographic Region																
LATIN AMERICA	2,597	2,322,228	5,534	81,398	1,086	16,843	1,276	156,298	10,493	486,767						
MIDDLE EAST AND NORTH AFRICA	216	9,448	3,504	41,892	1,400	16,680	7	0	5,127	68,020						
FAR EAST	992	57,241	875	37,888	814	25,760	568	13,622	3,249	134,511						
EUROPE	1,560	340,353	273	65,760	1,004	6,737	123	11,270	2,960	424,120						
CANADA	810	91,455	518	2,007	589	10,336	141	10,397	2,058	114,195						
CENTRAL AND SOUTH AFRICA	188	12,873	136	12,365	1	126	150	27,719	475	53,083						
TOTALS	6,363	743,598	10,840	241,310	4,894	76,482	2,265	219,306	24,659*	1,280,696						

*Includes 297 who work in more than one region.